



ROCKLINC

Worth. Investing.

Trade Tumult

Challenges and Solutions in an Increasingly Fractured World

October 8th, 2025

Presentation Outline

1. Challenges Facing the Global Economy - *The 4 D's*
2. Trade - *Developments & Practical Implications*

1. The Challenges

The Four D's Impacting the Global Economy

- I. Debt
- II. Demographics
- III. Deindustrialization
- IV. Declining Freedom

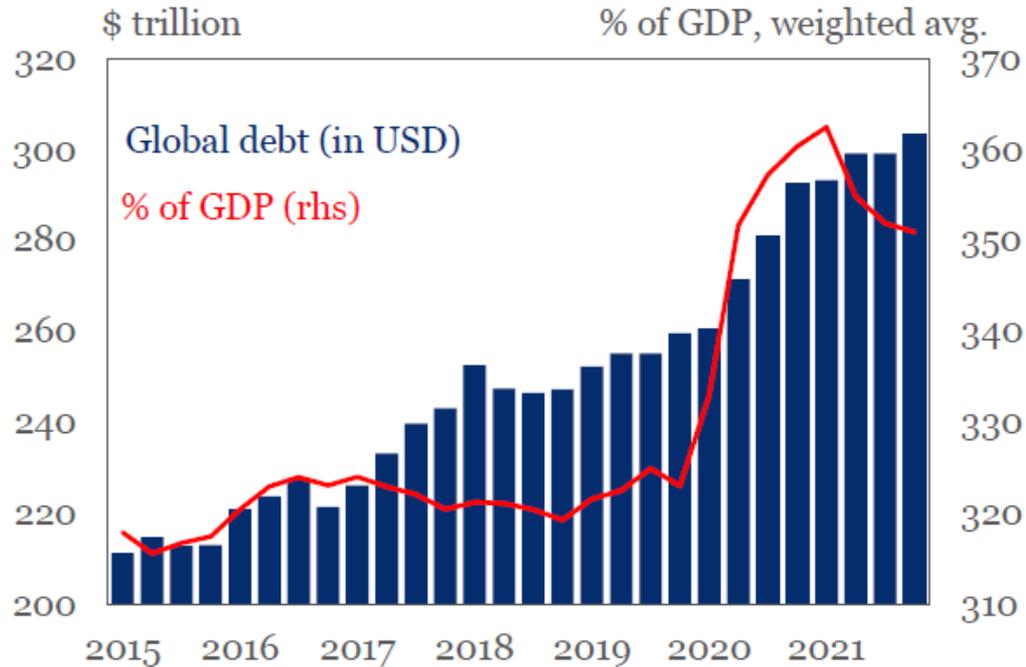
I. Debt

- Personal and government debt burdens are at critical levels
- Why is too much debt a bad thing?
 - Creates inflationary dynamics
 - Crowds out private investment
 - Fosters instability in FX, hampering investment

Ultimately, high debt levels **lowers economic growth potential, lowers the standard of living of citizens and can cause financial crises.**

A Covid Explosion

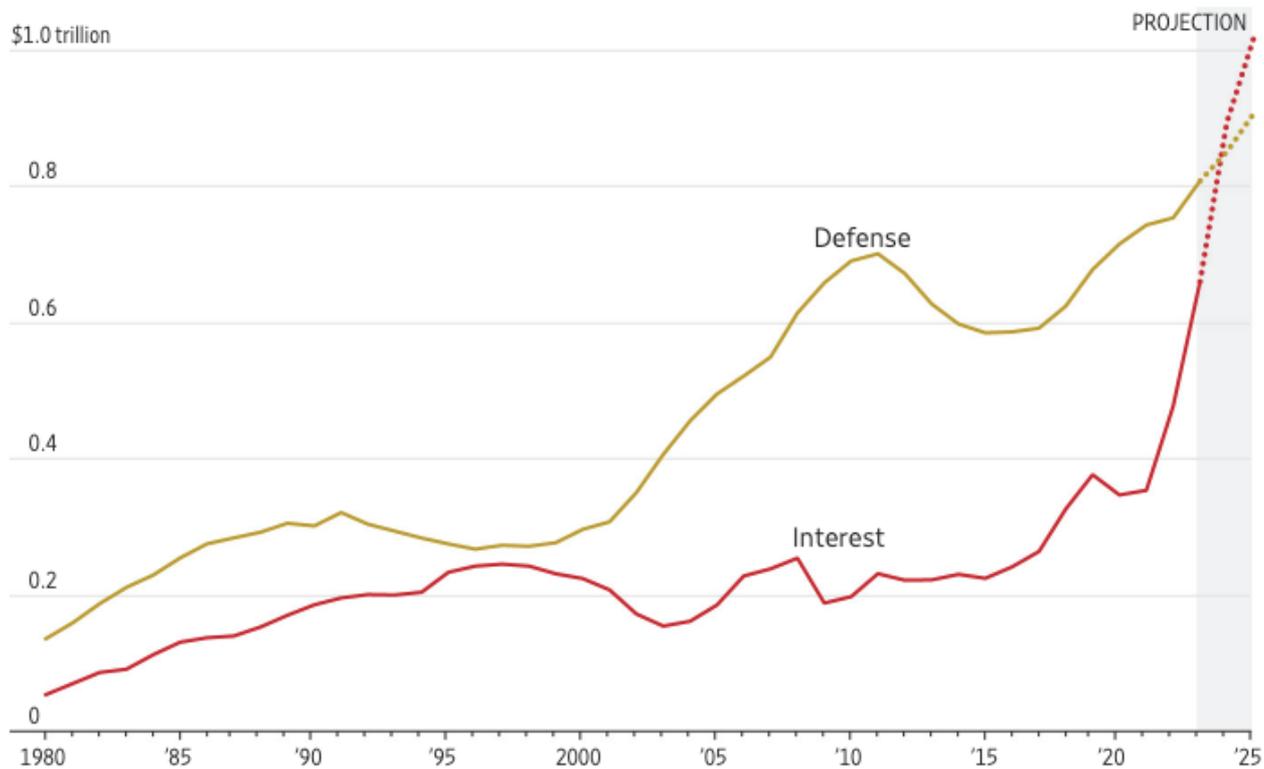
Chart 1: Total global debt surpassed \$300 trillion in 2021



Source: IIF, BIS, IMF, National sources, Haver

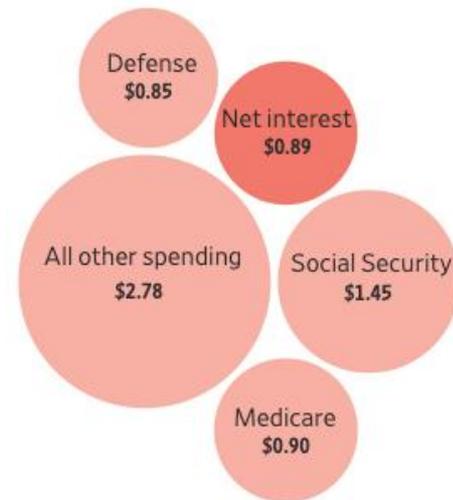


Government spending on interest versus defense

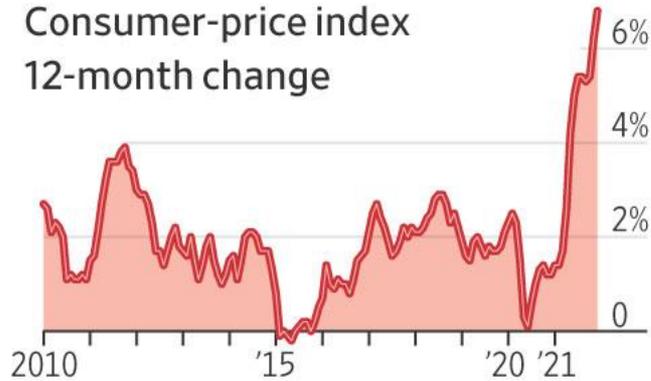


Sources: Office of Management and Budget (actual); Congressional Budget Office (projections)

Total outlays: \$6.88 trillion



Reckless spending = Inflation



Source: U.S Labor Department

Producer-price index, change from a year ago



Source: Labor Department

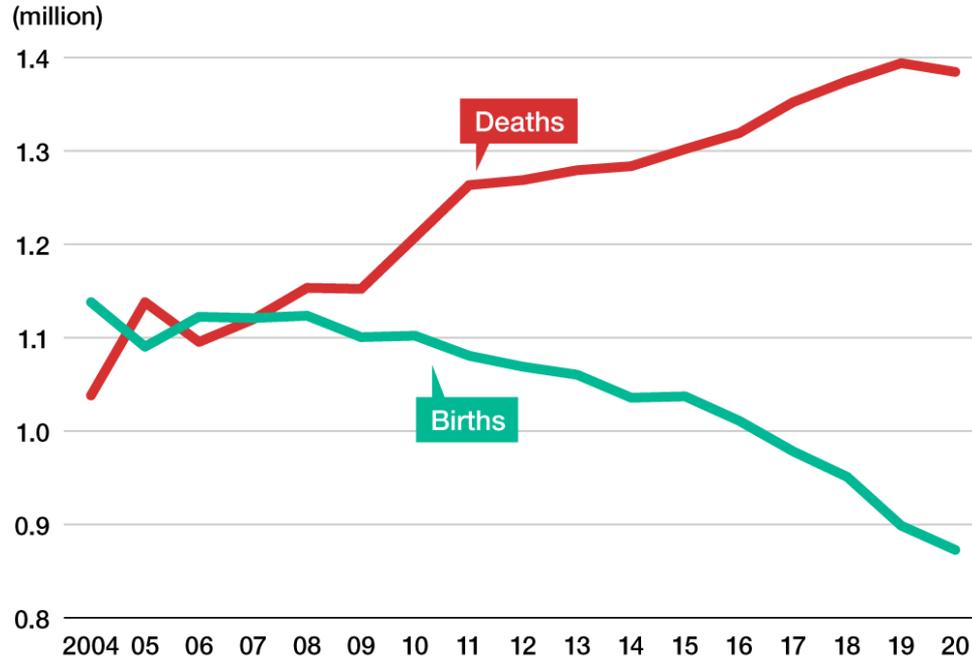
II. Demographics

We are facing a **demographic time-bomb**, particularly in advanced economies

- **Causes**
 - Agrarian → industrialized economies
 - Post-WWII impact
 - Couples choosing not to have children
 - Economic and ‘climate’ reasons
 - Attack on Biblical marriage (one man, one woman) and subsequent moral decay
 - Etc.
- **Implications**
 - Lower consumer spending & GDP - *who's going to buy?*
 - Shortage of labour - *who's going to work?*
 - Debt and obligations coming due - *who's going to pay?*

Japan's Population is in a Death Spiral

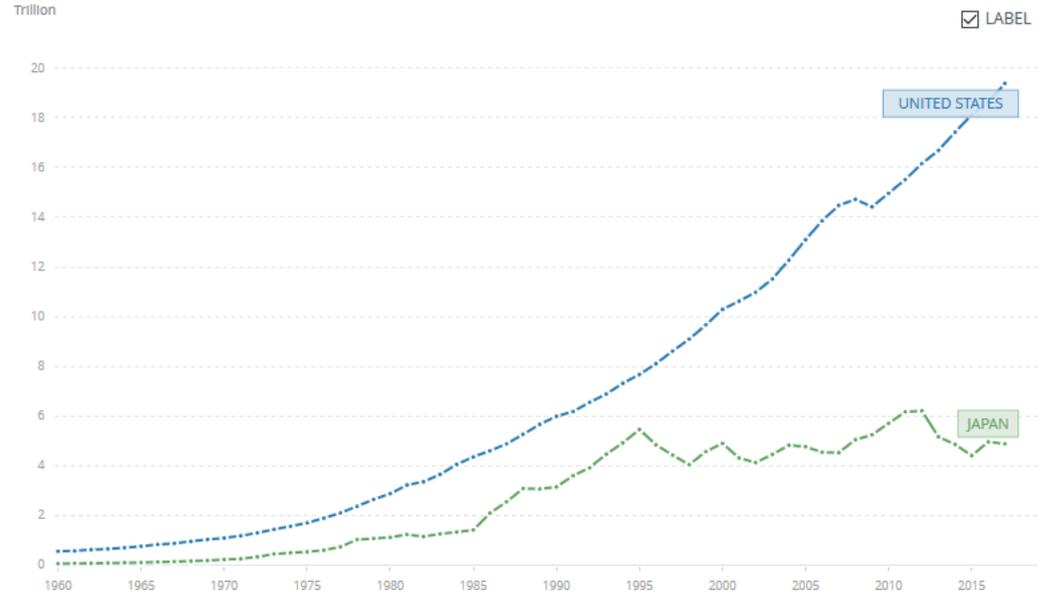
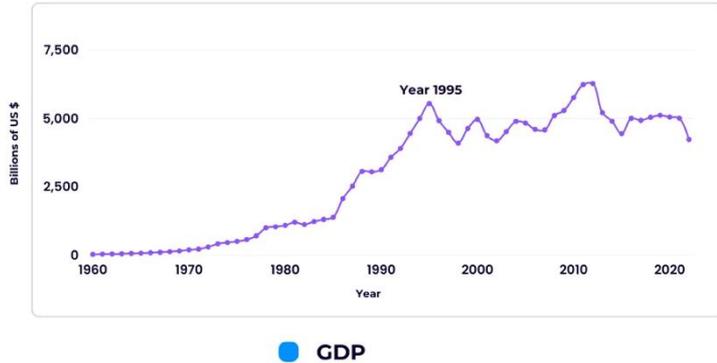
Births and Deaths in Japan



Compiled by *Nippon.com* based on data from the Ministry of Health, Labor, and Welfare.

Debt + Demographics = Stagnation

Japan's Nominal GDP (1960-Present)

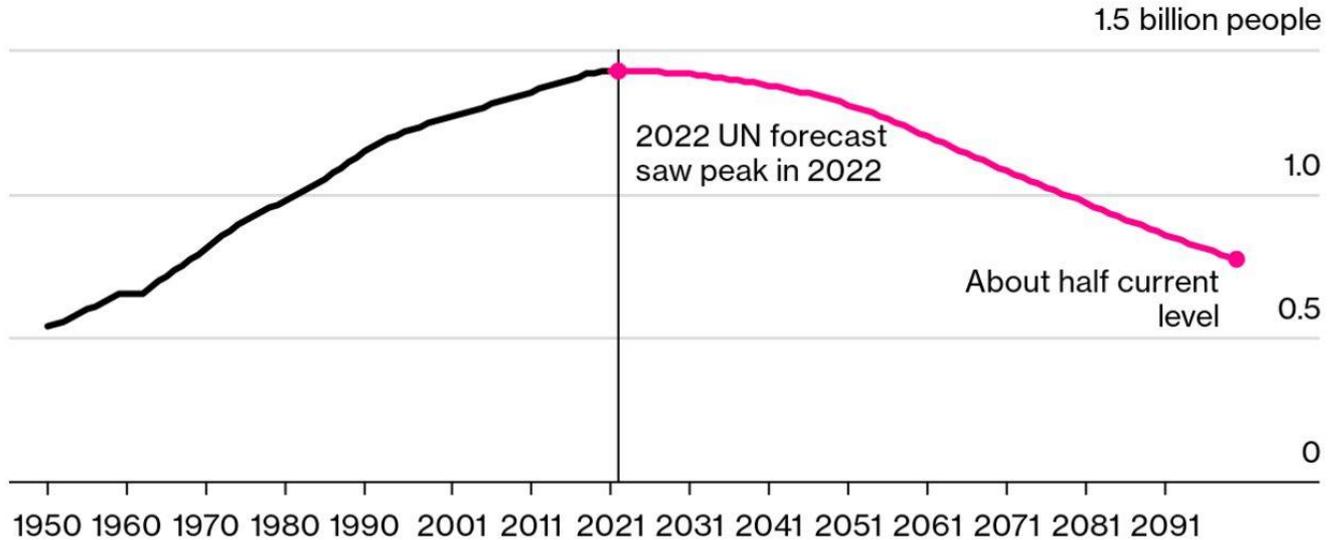


Chinese Population Growth Has Peaked

China's Population Peaked

Forecast to decline steadily from now

Population Median forecast in 2022



Source: United Nations

Bloomberg



III. Deindustrialization

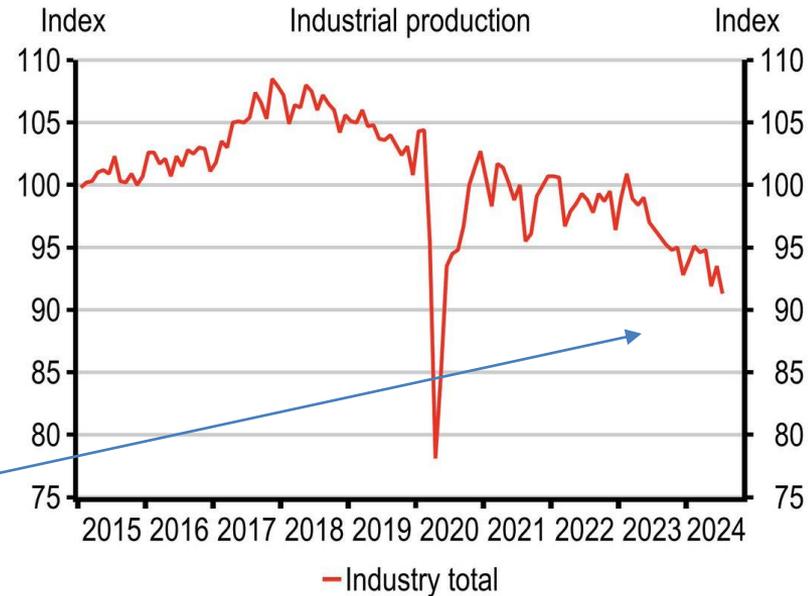
- In pursuit of ‘green energy’, certain countries are seeing a deindustrialization of their economies, **lowering standards of living** for their citizens
- Renewable energy has an important role to play in the global energy policy mix but **let the free market dictate the speed**
 - Need baseload power (ie. nuclear, natural gas etc.)
- **Invest** in countries that **take care of the environment**, have a **sensible energy policy** and **allow the free market** to dictate a large portion of the energy mix
 - Renewable energy is often cheaper - let it compete!

Manufacturing Output - Germany

- No surprise we see energy-intensive manufacturing industries suffering
- By dictating an unnaturally quick timetable for the elimination of fossil fuels, Germany has opened itself up to energy shocks

Germany's manufacturing base is being eroded

1: The trend in industrial production is down



Source: Macrobond, HSBC

IV. Declining Freedom

Free markets allocate capital most effectively

- Individual freedoms (ie. speech, association, movement etc.)
- Private property, contract law and impartial courts
- Minimal government intervention (including taxation)

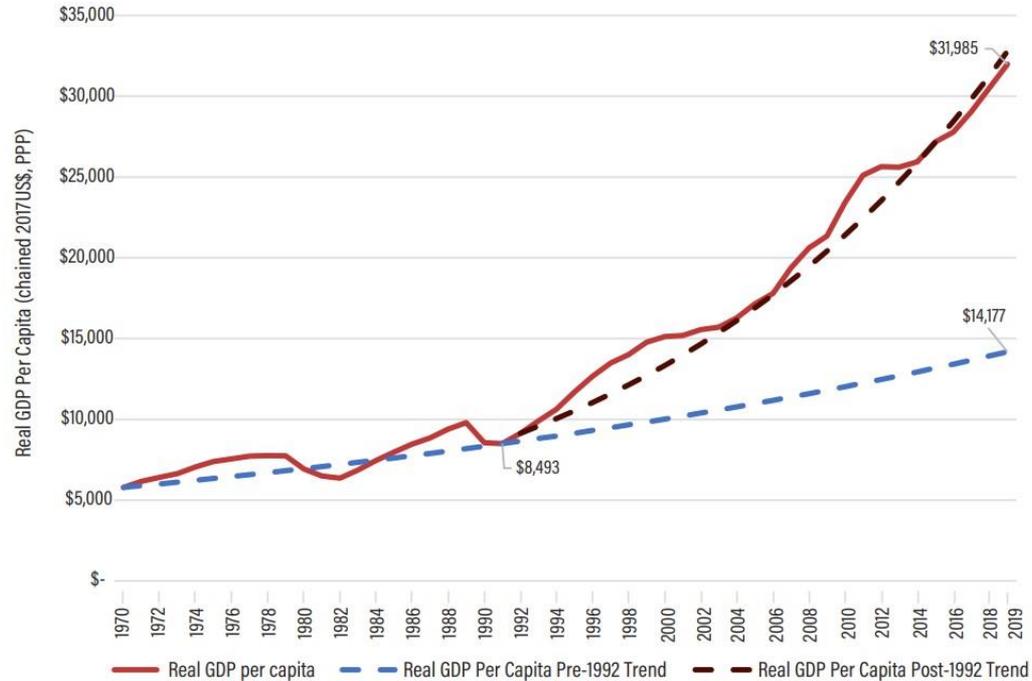
Ultimately, the **most productive society** will be one that embodies **biblical values**, explicitly or implicitly

- All humans are created in God's image, worthy of dignity
- Will develop the earth's resources
- Productive, resourceful, honest - accountable to God

Post-Communist Poland

Human Ingenuity Unleashed in a Free Market

Figure 4.6: Poland's Real GDP Per Capita, 1970-2019



Source: Feenstra, Inklaar and Timmer, 2021; trend lines calculated by authors.



2. Trade

The 5th D? Deglobalization

Market Update

- Inflation
 - Economists' predictions of widespread inflation due to tariffs has not occurred¹
- Growth outlook
 - The OECD is projecting the global economy to grow 3.2% in 2025 (essentially unchanged from their target at the beginning of 2025²)

An Opportunity - doesn't necessarily have to be a Challenge

¹ *The Tariff Effect: Billions in Revenue but No Economic Earthquake*; Wall Street Journal, August 6 2025.

² OECD Economic Outlook, Interim Report September 2025. www.oecd.org



Practical Trade Implications

As an individual country...

1. Reduce exposure to the 4 D's

- Debt, Demographics, Deindustrialization & Declining Freedom
- Need to be competitive on the world markets - the 4 D's are deleterious to your economy

2. Diversify trading relationships

- Support true free and fair trade (ie. gov't subsidies, VATs, non-tariff barriers etc.)
- Avoid vulnerability (ie. concentrated trading arrangements, security measures)

3. Capitalize on your country's unique competitive advantages

- Physical resources - invest, develop, steward
- Intangible resources - human capital and education

4. Restore Importance of Home & Marriage - *ultimately rooted in the Biblical moral code*

- Reject consensus and reject a culture of death - encourage marriage and families
- A society firmly rooted in ethics and morality will typically result in a healthy, dynamic economy



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Q&A Session